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ACTION EB-06

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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P 071542Z NOV 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 4670

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E.O. 11652: N/A

TAGS: EAIR, NL

SUBJECT: US-GON CIVAIR TALKS -- DUTCH PREPARE FOR
ROUND TWO

SUMMARY: IN INTERVAL BETWEEN NEGOTIATIONS, DUTCH
HAVE DONE RESEARCH INTO ECONOMIC CONSEQUENCES OF
POSSIBLE KLM REDUCTIONS, MET WITH UNIONS, HELD
CABINET DISCUSSIONS, APPEALED TO US POLITICALLY,
AND OTHERWISE PREPARED FOR TALKS IN WHICH THEY
EXPECT NEITHER SIDE TO YIELD ANYTHING. PERHAPS OUT
OF FEAR OF TRIGGERING REGULATION 213 ACTION, DUTCH
WILL NOT BREAK OFF DISCUSSIONS, ALTHOUGH THEY HINT
THAT THEY WILL RESORT TO ARBITRATION. END SUMMARY.

1. ECONOMIC MULTIPLIER OF KLM REDUCTIONS. IN INTER-
VIEWS THIS WEEK WITH THREE MEMBERS OF DUTCH DELEGATION
(SQANENBERG OF MINISTRY OF TRANSPORTATION, NIEUWENHUIJSEN
OF FOREIGN AFFAIRS AND WASSENBERGH OF KLM), WE WERE
TOLD THAT AT MINITER OF TRANSPORTATION WESTERTERP'S
DIRECTION STUDUES HAVE BEEN MADE TO DETERMINE
CONSEQUENCES WHICH VARIOUS LEVELS OF REDUCTION IN KLM
CAPACITY WOULD HAVE FOR AIRLINE AND FOR DUTCH ECONOMY.

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THESE STUDIES MEASURE EFFECTS OF KLM STEPS RANGING FROM
SIMPLE CONTINUATION INTO SUMMER 1975 OF WINTER '74/'75

SCHEDULES, TO COMPLIANCE WITH MAXIMUM US PROPOSAL BRINGING KLM 5TH AND 6TH FREEDOM TRAFFIC DOWN TO FIVE PERCENT.

2. ALTHOUGH WESTERTERP ORDERED REDUCTION OF 25 PERCENT IN PLANNED WINTER SEATING CAPACITY, WASSENBERGH SAID THAT ACHIEVING THIS GOAL THROUGH AD HOC CANCELLATION OF 10 PERCENT OF FLIGHTS RATHER THAN THROUGH REPUBLISHING OF SCHEDULES MEANT THAT KLM WOULD NOT BE FORCED TO LAY OFF ANY EMPLOYEES. HE SAID THAT CANCELLATIONS WOULD, AS US DELEGATION EXPECTED, BE OF FLIGHTS WHICH HAVE LOWEST LOAD FACTORS. HE ARGUED, HOWEVER, THAT 10 PERCENT IS FAR LARGER THAN WOULD BE SCRUBBED UNDER NORMAL OPERATING PROCEDURES. HE SAID THAT IF KLM ACCEPTED CONTINUATION OF WESTERTERP-IMPOSED REDUCTIONS INTO SUMMER AND ADJUSTED SCHEDULES ACCORDINGLY, IT WOULD HAVE TO LAY OFF ABOUT 500 PEOPLE.

3. IN WORST CASE (YIELDING TO US PROPOSAL), KLM WOULD OFFER TWO-THIRDS LESS CAPACITY ON NORTH ATLANTIC, A MARKET WHICH CONSTITUTES 25 PERCENT OF ITS BUSINESS. THIS WOULD LEAD TO DISMISSAL OF 3,000 OF AIRLINE'S 17,000 EMPLOYEES.

4. IN MAKING ITS CALCULATIONS, MINISTRY OF TRANSPORTATION ASSUMES THERE IS A MULTIPLIER, SO THAT FOR EVERY KLM EMPLOYEE LAID OFF, AN ADDITIONAL THREE PERSONS WOULD BE OUT OF WORK THROUGH SPREADING EFFECTS ON HOTELS, RESTAURANTS AND TOURISM IN GENERAL. THIS PRESUPPOSES THAT PAN AM WOULD PICK UP ONLY FRACTION OF PASSENGERS LOST BY KLM. OTHERS WOULD BE LURED TO COMPETING EUROPEAN AIRLINES AND HENCE ALTERNATIVE GATEWAYS.

5. WASSENBERGH POINTED OUT THAT LAY-OFFS WOULD NOT BE LIMITED TO NETHERLANDS. MANY AMERICAN EMPLOYEES OF KLM WOULD ALSO SUFFER.

6. AWAKENING APPREHENSION OF UNIONS. ALTHOUGH WESTERTERP DOES NOT INTEND TO MAKE PUBLIC THE RESULTS OF MOT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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RESEARCH AT LEAST NOT BEFORE RESUMPTION OF NEGOTIATIONS, UNIONS HAVE BEGUN TO MAKE OWN ESTIMATES OF NUMBER OF JOBS THREATENED. INITIALLY WORRIED ABOUT SIZE OF RETRENCHMENT KLM WOULD MAKE TO OVERCOME ANTICIPATED \$40 MILLION DOLLAR LOSS FOR 1974 WHICH IT ANNOUNCED IN SEPTEMBER, UNIONS RESPONDED CRITICALLY TO REDUCTIONS REVEALED AT END OF US-GON TALKS OCT 25. WHILE THESE CUTS DO NOT AFFECT EMPLOYMENT, UNION LEADERS ARE UPSET THAT WESTERTERP ACTED WITHOUT CONSULTING THEM, AND THEY DEMANDED TO BE HEARD BEFORE NEGOTIATIONS PROCEEDED

FURTHER. WESTERTERP OBLIGED BY SCHEDULING MEETING WITH UNIONS FOR NOVEMBER 6. TRANSPORT UNIONS MEANWHILE SUSPENDED UNTIL NOV 18 COLLECTIVE WAGE BARGAINING WHICH HAD BEEN UNDERWAY WITH KLM.

7. (IT SHOULD BE NOTED THAT HIGHEST JOBLESS ESTIMATE BEING MENTIONED BY UNIONS IS 1500. IF TOP RANGE OF GON FIGURES BECAME KNOWN IT WOULD INCREASE PRESSURES ON DUTCH NEGOTIATORS).

8. ACTION AT POLITICAL LEVEL. CIVIL AVIATION ISSUES MOVED QUICKLY FROM NEGOTIATING TABLE TO CABINET. FOUR SEPARATE MINISTERS INVOLVED THEMSELVES IN RECENT AYS, AND ACCORDING TO NIEUWENHUIJSEN FULL CABINET DECIDED NOVEMBER 1 TO OPPOSE ANY FURTHER REDUCTIONS.

9. FOREIGN MINISTER VAN DER STOEL INTERVENED WITH AMBASSADOR OCTOBER 22 (HAGUE 5189), OCTOBER 29 (HAGUE 5288), AND NOVEMBER 6 (HAGUE 5374), SEEKING IN LAST INSTANCE MEETING WITH SECRETARY KISSINGER, A REQUEST RENEWED BY LETTER OF NOVEMBER 5 (HAGUE 5391).

10. WESTERTERP INJECTED HIMSELF INTO NEGOTIATIONS AT EARLY STAGE (HAGUE 5189 AND HAGUE 5215). OCTOBER 29 (HAGUE 5294), HE TOOK OVER LEADERSHIP OF DUTCH DELEGATION FOR TALKS IN WASHINGTON. AN ASTUTE POLITICIAN WITH INFLUENCE IN HIS CATHOLIC PEOPLE'S PARTY, THE SECOND LARTEST IN PARLIAMENT, WESTERTERP IS A GOOD BUT WORRIED FRIEND OF THE US. AS AN IMPORTANT MEMBER OF THE DEN UYL GOVERNMENT HE IS CONCERNED ABOUT THE EFFECT THESE TALKS MAY HAVE ON HIS POLITICAL FUTURE. HE
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DEFINITELY DOES NOT WANT TO BE ASSOCIATED WITH A DEFEAT BUT COULD BE AMENDABLE TO A PRESENTABLE SOLUTION.

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ACTION EB-06

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 4671

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11. MINISTER OF SOCIAL AFFAIRS BOERSMA IS REPORTED BY PRESS TO BE PREPARING TO ENGAGE HIMSELF NEXT WEEK IN CONSULTATIONS ON HOW TO DEAL WITH DANGERS OF UNEMPLOYMENT AT KLM.

12. LAST BUT NOT LEAST, PRIME MINISTER DEN UYL SPOKE OUT AFTER CABINET MEETING NOVEMBER 1. IN ANSWERING REPORTERS' QUESTIONS, HE SAID THAT GON CONSIDERS US PROPOSALS UNACCEPTABLE, AND SAID THAT HOLLAND "INTENDED TO DEFEND EMPLOYMENT SITUATION TOOTH AND NAIL."

13. WHAT POLITICAL LEADERS ARE SAYING IS THAT US CONCEPTION OF ACCEPTABLE 5TH AND 6TH FREEDOM CARRIAGE WILL AFFECT KLM NOT ONLY ON TRANS-ATLANTIC ROUTES BUT ALSO, BECAUSE TRANSIT TRAFFIC IS SO IMPORTANT, ON REST OF ITS WORLDWIDE NETWORK, THUS DAMAGING KLM AS AN INTERNATIONAL CARRIER. THIS WILL CAUSE UNEMPLOYMENT, WHICH IN ITS TURN WILL HAVE SERIOUS CONSEQUENCES FOR DUTCH-AMERICAN RELATIONS IN GENERAL. TRANSPORTATION MINISTRY'S STUDIES BUTTRESS SUCH ARGUMENTATION.

14. ONE OTHER POINT DUTCH ARE LIKELY TO PUT FORWARD IN WASHINGTON WAS MADE BY NIEUWENHUIJSEN. HE SAID THAT LIMITED OFFICIAL USE

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BOTH PRESIDENT AND SECRETARY KISSINGER IN SPEECHES AT UN IN SEPTEMBER SPOKE OF INTERDEPENDENCE, NEED TO AVOID PROTECTIONIST MEASURES, AVOIDANCE OF UNILATERAL ACTION, AND DESIRE TO CONSULT. HE SAW US POSITION IN CIVAIR TALKS, BACKED BY THREAT OF REGULATION 213 ACTION, AS BEING IN DIRECT CONTRADICTION WITH ADMINISTRATION'S UN GESTURE OF COOPERATION.

15. EXPECTATIONS. FROM STATEMENTS BEING MADE TO PRESS AND FROM WHAT DELEGATION MEMBRS SAID TO

US, DUTCH DO NOT APPEAR READY TO CONCEDE ANYTHING SUBSTANTIAL IN WASHINGTON. NEITHER DO THEY EXPECT US CONCESSIONS, ALTHOUGH THEY ARE DOING GREAT DEAL TO INFLUENCE TALKS POLITICALLY.

16. DESPITE CONCERN AND PESSIMISM, ZWANENBERG SAID HE DID NOT THINK TALKS WOULD END ABRUPTLY. WESTERTERP PLANS TO MEET WITH DUTCH AMBASSADOR IN WASHINGTON MONDAY MORNING, NOVEMBER 11, AND POSSIBLY SEEK PRIVATE CONSULTATION WITH DEPUTY ASSISTANT SECRETARY WALDMANN THAT AFTERNOON PRIOR TO OPENING OF TALKS. THERE IS MUCH TO DISCUSS, ACCORDING TO ZWANENBERG, AND HE THINKS THAT NEGOTIATIONS COULD CONSUME SEVERAL DAYS. INFERENCE IS THAT DUTCH WILL NOT QUIT TALKS, SO AS NOT TO GIVE CAB UNAMBIGUOUS EXCUSE FOR EXERCISING REGULATION 213 PROCEDURE.

17. ONE POSSIBLE ACTION DUTCH COULD TAKE WAS MENTIONED FORCEFULLY BY WASSENBERGH AND TENTATIVELY BY ZWANENBERG. THAT IS TO RESORT TO ARBITRATION. WASSENBERGH, A LAWYER, BELIEVES DUTCH WOULD WIN SUCH A TEST AND THEN BE IN POSITION TO MAKE STRONG APPEAL IN COURT AGAINST APPLICATION OF CAB REGULATION. ZWANENBERG, A CIVIL SERVANT, SAID SIMPLY THAT ARBITRATION "IS NOT SOMETHING WE HAVE SHUT OUR EYES TO."

18. REGARDLESS OF OUTCOME OF TALKS, DUTCH ARE VERY MUCH AWARE OF ONE SECTION OF REGULATION 213, NAMELY PRESIDENT'S POWER TO STAY OR DISAPPROVE. CONVERSELY, THEY ARE WORRIED THAT IF PRESIDENT CHOOSES NOT TO ACT, CAB RESTRICTIONS WOULD GO INTO EFFECT AUTOMATICALLY. LIMITED OFFICIAL USE

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